

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-411-G - ORDER NO. 2010-390
MAY 27, 2010

IN RE:	Application of Piedmont Natural Gas)	ORDER APPROVING
	Company, Inc. for Approval of Energy)	ENERGY EFFICIENCY
	Efficiency Programs)	PROGRAMS

This matter comes before the Public Service Commission of South Carolina (“Commission”) on the application of Piedmont Natural Gas Company, Inc. (“PNG”) for three proposed energy efficiency programs pursuant to S.C. Code § 58-37-20 (Supp. 2009). The Office of Regulatory Staff (“ORS”) is a party of record in this proceeding under the provisions of S.C. Code Ann. § 58-4-10(B). There are no other parties in this proceeding. PNG and ORS (collectively the “Parties” or individually a “Party”) entered into a Settlement Agreement (“Settlement Agreement”) which was served on the Commission on January 27, 2010.

The Commission conducted a formal hearing in this matter on February 11, 2010, beginning at 10:30 a.m. in the hearing room of the Commission with the Honorable Elizabeth B. Fleming, Chairman, presiding. Jeffrey M. Nelson, Esquire, and Shannon Bowyer Hudson, Esquire, appeared on behalf of ORS. James H. Jeffries, IV, Esquire, and Jeremy Hodges, Esquire, appeared on behalf of PNG.

At the hearing, the Commission accepted into the record the pre-filed direct testimony of PNG witness Steve Lisk, as well as the pre-filed direct testimony of ORS

witness Carey M. Stites. The Commission also accepted into evidence the Settlement Agreement as Hearing Exhibit No. 1.

PNG witness Lisk testified as to PNG's energy efficiency program proposals and PNG's approach for justifying those programs. PNG has proposed three Energy Efficiency Programs for implementation in South Carolina: (1) a Residential Low-Income Program; (2) a High Efficiency Equipment Rebate Program; and (3) a Customer Education Program.

PNG's proposed Residential Low-Income Program, modeled after the United States Department of Energy's Federal Weatherization program, is designed to provide energy efficiency measures and weatherization assistance to low income residential customers in PNG's service territory. According to Mr. Lisk, in addition to generating actual energy savings, the program will also benefit customers by improving health and safety conditions and increasing comfort for residents. The target population for this program is customers dwelling in single-family homes who have a household income within 200% of the federal poverty income guidelines as established for the Federal Weatherization Assistance Program. The target expenditure per participant is \$1,500 to \$3,500 per residence. PNG's annual expense for the program is projected to be \$150,000, part of which will be dedicated to measurement and verification of program results.

PNG's proposed High Efficiency Equipment Rebate program will provide rebates for the purchase of qualifying high efficiency natural gas appliances, including high efficiency space and water heating equipment. Relative efficiency levels for the

equipment will correlate to “Energy Star” appliances. PNG proposes to spend \$150,000 a year on this program, of which \$112,200 will be used as rebates. The remainder will be expended on program administration, program communications and program evaluation, measurement and verification.

For the proposed Customer Education Program, PNG plans to spend \$50,000 on targeted marketing techniques to implement a communications campaign focusing on customer energy education, efficiency and conservation and also to advise customers on other programs available to assist in achieving more efficient use of energy. Some program funding may also be used to sponsor energy efficiency and energy conservation education in local schools.

PNG intends to measure and evaluate the Residential Low-Income Program and Equipment Rebate Program by contracting with a third-party energy consultant to perform an appropriate evaluation, measurement and verification. The Customer Education Program will not be directly measured, but PNG will survey its target audience under the program to obtain anecdotal indications of effectiveness.

Mr. Lisk testified that PNG believes its proposed energy efficiency programs satisfy the cost-effectiveness criteria set forth in Section 58-37-20. The Equipment Rebate Program passed cost-effectiveness testing under the California Standard Practice Manual. While PNG did not test its Residential Low-Income Program under that model, PNG has practical experience with similar programs in North Carolina that indicate that the program measures will result in substantial savings of natural gas and electric costs as well as improved indoor air quality and safety for program participants. PNG did not

attempt to test its Education Program because such a program is not readily subject to cost-effectiveness testing. Nevertheless, PNG believes that the program is very likely to be cost-effective and prompt customers to take actions that will influence how efficiently they use natural gas.

ORS witness Stites testified as to the findings and recommendations of ORS regarding its review and analysis of PNG's proposed Energy Efficiency Programs and PNG's proposed cost recovery method. PNG requests authorization to expend and recover from its customers an annual cost of \$350,000 for the three proposed programs. ORS estimates the overall rate impact of this amount to the average residential customer's annual bill would be an addition of less than \$2.00 or 0.2%. These costs will be included in PNG's cost of service and recovered, on a delayed basis, through PNG's annual Rate Stabilization Act ("RSA") filing process.

Through witness Stites, ORS recommended that the Commission approve PNG's proposed energy efficiency programs and cost-recovery mechanism on a three (3) year experimental basis. ORS also recommended that the Commission require PNG to file annual reports with the Commission and ORS based on the results for the twelve-month period ending March 31 by June 15 each year, with the first report due in 2011. This schedule would coincide to the time periods set forth in the RSA. These annual reports shall include specific detailed information for each program including expenditures, number of participants for the Residential Low-Income Weatherization Program and the High Efficiency Equipment Rebate Program, an analysis of the cost-effectiveness of

these programs, any other pertinent information PNG thinks should be reported, and any modifications to the programs.

The January 27, 2010 Settlement Agreement reflects the Parties' agreement that:

- (i) PNG has not requested any incentives as allowed under S.C. Code Ann. § 58-37-20 (Supp. 2009), but retains the right to propose such incentives in the future;
- (ii) PNG should be authorized to expend and recover from its South Carolina residential and commercial customers an annual cost of \$350,000 for the operation of the three proposed programs for a period of three years;
- (iii) PNG shall be permitted to annually expend and recover from South Carolina ratepayers up to \$50,000 on its Customer Education Program, up to \$150,000 on its High Efficiency Equipment Rebate Program, and up to \$150,000 on its Residential Low-Income Energy Efficiency Program for no more than three years from the date of this Order;
- (iv) PNG shall annually submit to ORS and the Commission, in conjunction with PNG's RSA process, a request for recovery of PNG's Energy Efficiency Program costs for the twelve-month test period ending March 31 by June 15 of each year with the first report due in 2011 and after a period of three years, the Parties shall jointly or individually submit any proposed modifications to the program or program expenditures for review and approval of the Commission;
- (v) PNG shall submit annual program cost, participation, and performance reports to ORS for the programs as provided in the Settlement Agreement and;
- (vi) PNG will notify ORS and the Commission before instituting any proposed changes, adjustments, or modifications to its Energy Efficiency Programs.

NOW, THEREFORE, based upon the foregoing, IT IS HEREBY DECLARED AND ORDERED THAT:

1. The pre-filed direct testimony of PNG witness Steve Lisk is accepted into the record without objection.

2. The pre-filed direct testimony of ORS witness Carey M. Stites is accepted into the record without objection.

3. The Settlement Agreement is accepted into the record and incorporated into and made a part of this Order by reference, and based upon the testimony and exhibits presented at the hearing of this matter, is found to be in the public interest and constitutes a reasonable resolution of this proceeding.

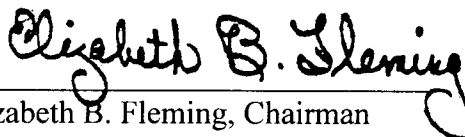
4. PNG is authorized to implement the Customer Education Program, the Low-Income Energy Efficiency Program, and the High-Efficiency Equipment Rebate Program at a cost not to exceed total expenditures of \$350,000 per year as experimental programs for a period of three years. PNG is further authorized to recover the costs thereof through the rates charged to its customers as described in the Settlement Agreement. PNG is ordered to make such reports and filings in conjunction with these programs as specified herein and in the Settlement Agreement.

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5. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:


Elizabeth B. Fleming, Chairman

ATTEST:


John E. Howard, Vice Chairman

(SEAL)

BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA
DOCKET NO. 2009-411-G

IN RE: Application of Piedmont Natural Gas Company,)
 Incorporated for Approval of Energy Efficiency) SETTLEMENT AGREEMENT
 Programs)

Piedmont Natural Gas, Incorporated (Piedmont or the Company) and the Office of Regulatory Staff (ORS), collectively referred to as the Parties, through counsel, hereby agree to the following in settlement of all issues in this docket:

1. BACKGROUND

A. On October 1, 2009, Piedmont filed its Petition for Approval of Energy Efficiency Programs (Application). By a Revised Notice of Filing issued October 15, 2009 the South Carolina Public Service Commission (Commission) established December 21, 2009 as the deadline for the filing of petitions to intervene and scheduling this matter for hearing on February 11, 2010. On November 12, 2009 Piedmont filed its affidavits that such Notice had been properly published in the appropriate newspapers serving Piedmont's assigned service territory in South Carolina. Further, on December 9, 2009 Piedmont filed a certification of mailing with the Commission certifying that the Notice of Filing and Hearing had been mailed or provided in electronic format to all Piedmont customers in South Carolina.

B. On December 30, 2009, Piedmont filed the testimony of Steve Lisk supporting the Petition and the proposed Program Procedures.

2. PROPOSED GAS ENERGY EFFICIENCY PROGRAMS

A. In its Petition Piedmont submitted, for Commission review and approval, three natural gas energy efficiency programs: 1) a Customer Education Program; 2) a Low-Income Energy Efficiency Program; and 3) a High-Efficiency Equipment Rebate Program.

B. The Company intends for the Customer Education Program to use a targeted marketing approach within the Piedmont South Carolina service territory to provide customer energy education, efficiency and conservation messages.

C. The Residential Low-Income Energy Efficiency Program is designed to provide energy efficiency measures and weatherization assistance, through a third-party, to existing Piedmont low-income residential customers.

D. The High Efficiency Equipment Rebate Program will provide rebates to Piedmont's residential and commercial customers who purchase and install qualifying high efficiency natural gas equipment to replace existing natural gas equipment.

3. OPERATION AND FUNDING OF PROGRAM

A. Although the Parties recognize that S.C. Code Ann. §58-37-20 (Supp. 2008) provides incentives to utilities for the operation of cost-effective energy efficiency programs, Piedmont has not requested the implementation of any such incentives in its Application. The Parties agree that Piedmont retains the right to propose such incentives in the future.

B. The Parties agree that Piedmont should be authorized to expend and recover from its South Carolina residential and commercial customers an annual cost of \$350,000 for the operation of the three programs outlined in Section 2 of this Agreement and further detailed in Exhibit A to Piedmont's Petition in this Docket for a period of three years. The \$350,000 annual cost of the programs would add approximately \$1.73, or .2%, per year to the average Piedmont residential customers' bill.

C. The Parties agree that Piedmont shall be permitted to annually expend and recover from South Carolina ratepayers up to \$50,000 on its proposed Customer Education Program, up to \$150,000 on the proposed High Efficiency Equipment Rebate Program, and up to \$150,000 on the proposed Residential Low-Income Energy Efficiency Program for no more than three years from the date of the Commission Order approving this Agreement.

D. Piedmont shall annually submit to ORS and the Commission, in conjunction with the Company's Rate Stabilization Act (RSA) process, a request for recovery of Piedmont's Energy Efficiency program costs for the twelve month test period ending March 31 by June 15 of each year with the first report due in 2011. The Parties further agree that after a period of three years that they shall jointly or individually submit any proposed modifications to the programs or program expenditures for review and approval of the Commission.

E. Piedmont shall submit annual program cost, participation, and performance reports to ORS for the programs as provided in this Agreement. Piedmont agrees to notify ORS and the Commission before instituting any proposed changes, adjustments, or modifications to its Energy Efficiency Programs.

4. AGREEMENT IN SUPPORT OF SETTLEMENT; NON-WAIVER

A. The Parties agree this Settlement is reasonable, in the public interest, and in accordance with law and regulatory policy. The Parties shall act in good faith and use their best efforts to recommend to the Commission that this Settlement Agreement be accepted and approved. The Parties further agree that this Agreement is in the public interest because it promotes the adoption and implementation of new Energy Efficiency Programs by Piedmont and appropriately allows Piedmont to recover the costs associated with those programs through its annual RSA. The Parties intend to support the reasonableness of this Agreement before the Commission and in any appeal from the Commission's adoption or enforcement of this Agreement.

B. Neither this Agreement nor any of its terms or conditions shall be admissible in any court or in the Commission except insofar as the Commission is addressing litigation arising out of the implementation of the terms herein or the approval of this Agreement. This Agreement shall not be cited as precedent by any of the Parties with regard to any issue in any other proceeding or docket before the Commission or in any court.

C. The provisions of this Agreement do not reflect any position asserted by either Party, but reflect instead the compromise and settlement between the Parties as to all of the issues covered hereby. Neither Party waives any right to assert any position in any future proceeding or docket before the Commission or in any court.

D. This Agreement is the product of negotiation between the Parties and contains the complete agreement of the Parties. No provision of this Agreement shall be strictly construed in favor or against either Party.

5. RECEIPT OF TESTIMONY AND WAIVER OF CROSS-EXAMINATION

The Parties agree that all pre-filed testimony and exhibits of the Parties may be received in evidence without objection. Each Party waives all right to cross-examine any witness of the other Party with respect to such pre-filed testimony and exhibits. If, however, questions are asked by any Commissioner, or if questions are asked or positions taken by any person who is not a Party to this Agreement, then either Party may respond to such question by presenting testimony or exhibits and cross-examining any witness with respect to such testimony and exhibits, provided such testimony, exhibits, and cross-examination are not inconsistent with this Agreement.

6. AGREEMENT BINDING ONLY IF ACCEPTED IN ITS ENTIRETY

This Agreement is the product of negotiation and compromise of a complex set of issues, and no portion of this Agreement is or will be binding on either Party unless the entire Agreement is accepted by the Commission. If the Commission rejects the Agreement in whole or in part, the Parties reserve the right to withdraw from the Agreement without penalty within five (5) days of receiving notice of any such decision by providing written notice of withdrawal via electronic mail to the other Party in that time period. Should either Party exercise its right to withdraw, then the Agreement shall become null and void and both Parties shall request that the Commission provide the

opportunity for each Party to present evidence and advocate its position in the proceeding, and the Parties shall work together in good faith to develop and propose a new procedural schedule to put the Parties back in the position they were prior to the Agreement. Such schedule shall allow a reasonable time for each Party to resubmit its testimony and exhibits (including any direct testimony by ORS and rebuttal testimony by the Company) revised to reflect that the entire Agreement was not accepted by the Commission and develop and submit new testimony and exhibits (for any Party that did not originally file testimony), and to conduct discovery regarding such new testimony and exhibits.

7. COUNTERPARTS

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Execution by facsimile signature shall be deemed to be, and shall have the same effect as, execution by original signature.

The foregoing is agreed and stipulated to
this the 27th day of January, 2010.

PIEDMONT NATURAL GAS COMPANY,
INC.



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